

The complaint

Mr and Mrs B complain that Bank of Scotland plc trading as Halifax ("Halifax") has put a marker on the National Hunter and SIRA fraud prevention databases in connection with a mortgage application recording conflicting salary details.

What happened

Mr and Mrs B applied for a mortgage with Halifax in October 2020 and were given an offer. They lost this property and found another so updated their application for a new property in November 2020. The application was declined on 23 November 2020 due to Mrs B's salary but they say no further explanation was provided. They appealed this decision and provided Halifax with further documentation but the appeal was declined.

Mr and Mrs B applied for a mortgage with a different lender but this was also declined on 11 January 2021. When Mr and Mrs B made further enquiries they discovered that Halifax had loaded a fraud marker due to conflicting salary details for Mrs B.

As a result of this Mr and Mrs B complained to Halifax and further documents were requested from Mrs B in the form of payslips, bank statements and employment summary from HMRC. Mrs B provided these but Halifax rejected their complaint despite the documentation provided. They are unable to understand why the mortgage was offered in October but then declined in November despite nothing changing in relation to Mrs B's employment or salary.

Mr and Mrs B say that they have been affected mentally and financially by the fraud marker being applied. They were near the end of their house purchase and risked losing the property after spending money on solicitors, surveys and searches. They wanted to complete the purchase before the stamp duty holiday deadline of 30 June 2021. Although they eventually found a new lender for the mortgage who was able to complete before the deadline, they also had to search for new solicitors. Mr and Mrs B say that due to the delay caused by Halifax they missed the deadline which meant they had to pay £7,000 in stamp duty which hit them hard financially.

Mr and Mrs B would like Halifax to remove the fraud markers and some of the credit searches from their file. They would also like compensation for the time, money and risk of losing the purchase of their house and the extra stress this caused.

In relation to the three hard searches on Mrs B's credit file, Halifax said in its response to this issue that the first search on 20 October 2020 was done for the mortgage application and the second on the same date would have been if the broker made any amendment to the application. There was a third hard search on 25 January 2021 which was generated at the time Mr and Mrs B made their complaint to Halifax due to the file being reviewed. Halifax said that the case should have been closed once the application was declined so accepted that this should not have happened. It requested the removal of the third search from the credit file and offered £100 compensation for the inconvenience this had caused.

Our investigator looked into the complaint. Mr and Mrs B provided further information to this service explaining the difference between the payslips and the income received. This was provided to Halifax and it agreed to remove the fraud markers for Mrs B. It said that there were no markers applied against Mr B's name. Halifax also offered £400 in compensation

due to the prolonged complaint journey to have the markers removed. However, Halifax didn't agree to cover any consequential losses (such as the stamp duty) as it didn't feel that the markers had been added in error.

In relation to the stamp duty, the investigator explained that National Hunter's guidance to its members states that a lender shouldn't decline an application solely because of a marker added by another member. Therefore, she couldn't say that Halifax was responsible for the difficulties Mr and Mrs B had in finding a different lender and she couldn't fairly ask it to cover the costs of the stamp duty.

Mr and Mrs B disagree so the case has come to me to make a decision. They say that the issue is not that other lenders declined their applications but that Halifax placing markers against them with false information delayed the process. Mr and Mrs B say that if Halifax had removed the markers at the time – once the further documentation had been provided – they would not have been delayed and would not have incurred the cost of the stamp duty, extra solicitor's costs and stress and damage this has caused.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having carefully considered all the evidence and arguments, I agree with the investigator for broadly the same reasons and I've explained these further below.

Fraud prevention databases play an important role in the financial services sector, allowing financial businesses to share information to protect themselves and their customers from fraud. However, it's important that a marker is only applied where it can be justified. I've taken this into account when looking at Mr and Mrs B's case.

I note that Mr and Mrs B had received an offer following their mortgage application in October 2020. However, the new application in November 2020 was an increase from £277,000 to £326,000, which meant that Halifax needed to review the application and further documentation was required to underwrite the loan. This is when the inconsistency was noted with Mrs B's salary information. I don't think it was unreasonable for Halifax to carry out further checks at this point as this was a fresh application and the loan was for a significantly higher amount.

Halifax's concerns were based on the fact that there was a discrepancy between the income declared for Mrs B on the mortgage application form, her payslips and the amounts shown as paid in by her employer on her bank statements. Halifax went on to make further enquiries in relation to this and, having looked at this information, I'm satisfied that Halifax didn't act unfairly when it initially placed the marker on the National Hunter database.

Mrs B provided an explanation for the inconsistencies between the information declared in the application and the bank statements which was supported by evidence to show that the salary on the application form was correct. I am therefore satisfied that the surrounding evidence indicates that the information provided by Mrs B on the application form was accurate. So I therefore think any fraud markers should be removed, which Halifax has already agreed to do.

Halifax also agreed to remove one of the hard searches from the credit file and offered £100 compensation for the inconvenience caused in respect of this aspect of the complaint. As it appears that this part of the complaint had already been resolved prior to the investigator considering the case I have not considered it in detail here but it is my view that this is a fair outcome to this part of the complaint.

I've gone on to consider the impact of the fraud marker being applied on Mr and Mrs B. They say that they have been affected mentally and financially by the fraud marker being applied. Mr and Mrs B say that if Halifax had removed the marker at the time – once the further

documentation had been provided – they would not have been delayed and would not have incurred the cost of the stamp duty, extra solicitor's costs and stress and damage this has caused.

I can appreciate that this experience would have been stressful for Mr and Mrs B as they had to find another lender for their new property and they felt that this had been made more difficult by the fraud marker placed against Mrs B by Halifax and were worried that they would lose the property. Mrs B has also said that she felt that the false information was a defamation of character and affected her reputation.

Whilst Halifax has offered compensation for distress and inconvenience due to the prolonged complaint journey to have the markers removed, it has not agreed to reimburse the cost of the stamp duty to Mr and Mrs B.

I have considered this and I note that the information Mr and Mrs B provided to this service to explain the discrepancies appears to be the same information which was sent to Halifax as part of their appeal. However, Halifax did not alter its findings at that stage. So I do think Halifax should have considered the circumstances and information provided by Mr and Mrs B then and removed the fraud marker earlier. However, a fraud marker added by a business should not be grounds for another business to decline an application – instead it should be grounds to conduct further checks. So I can't reasonably say that Halifax is responsible for other lenders declining a mortgage application – and I note that Mr and Mrs B were in fact able to find a new lender which approved their application and granted them the mortgage.

In relation to any delay, Mr and Mrs B have said that they were able to find a new lender for the mortgage who was able to complete before the stamp duty deadline of 30 June 2021 but that they also had to search for a new solicitor and they ultimately missed the deadline which cost them £7,000. I have considered this but there are numerous variables involved in the purchase of a property and it can never be guaranteed that a purchase will be in a position to complete by a certain date. There would have been no guarantee that the purchase would have completed even if the fraud marker had been removed earlier, so I can't reasonably say that Halifax is responsible for Mr and Mrs B missing the stamp duty deadline and I won't be asking it to reimburse the cost of the stamp duty.

I have considered all of the factors and am of the view that Halifax's offer to compensate Mr and Mrs B for the trouble and upset caused in the sum of £400 is reasonable and I feel that this is a fair amount in all of the circumstances.

Putting things right

For the reasons set out above I uphold this complaint and require Halifax to:

- Remove all fraud markers it has applied from all fraud prevention databases in relation to Mr and Mrs B, if it hasn't done so already.
- Pay Mr and Mrs B £400 for the trouble and upset they've been caused (not including the £100 offered in respect of the credit search issue).

My final decision

For the reasons set out above I uphold this complaint and require Bank of Scotland plc trading as Halifax to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs B to accept or reject my decision before 29 June 2022.

Rachel Ellis
Ombudsman